

CITY OF NORTHWOOD, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2014

- Prepared By -

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CITY OF NORTHWOOD, IOWA

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CITY OF NORTHWOOD, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2014)		
Jane Bloomingdale	Mayor	January 2014
Doug Helgeland	Mayor Pro Tem	January 2016
Roger Rustad	Council Member	January 2014
Rhonda Taylor	Council Member	January 2014
Gary Nerlien	Council Member	January 2016
Russell Meyer	Council Member	January 2016
Amber Julseth	Clerk/Treasurer	June 30, 2014
John Greve	Attorney	Indefinite
(After January 2014)		
Jane Bloomingdale	Mayor	January 2018
Doug Helgeland	Mayor Pro tem	January 2016
Gary Nerlien	Council Member	January 2016
Russell Meyer	Council Member	January 2016
Roger Rustad	Council Member	January 2018
Rhonda Taylor	Council Member	January 2018
Amber Julseth	Clerk/Treasurer	June 30, 2015
John Greve	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northwood's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 8 and 27 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated October 2, 2014 on my consideration of the City of Northwood's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The City of Northwood's internal control over financial reporting and compliance.



Charles City, Iowa
October 2, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Northwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities decreased 8%, or approximately \$150,000 from fiscal year 2013 to fiscal year 2014. Other general receipts decreased approximately \$132,000, while property taxes decreased approximately \$14,000.

Disbursements of the City's governmental activities decreased 16%, or approximately \$352,000, in fiscal year 2014 from fiscal year 2013.

The City's total cash basis net position decreased 6%, or approximately \$161,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$194,000 and the cash basis net position of the business type activities increased by approximately \$33,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide statement and the fund financial statement follows the fund financial statement.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains several Enterprise Funds, including the Water, Sewer, Sewer Replacement, and Garbage Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1,934,477 to \$1,740,812. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 75	\$ 69
Operating grants, contributions and restricted interest	215	217
General receipts:		
Property tax	905	919
Local option sales tax	164	165
Unrestricted interest on investments	9	17
Other general receipts	314	445
Total receipts	<u>\$1,682</u>	<u>\$1,832</u>
Disbursements:		
Public safety	\$ 380	\$ 254
Public works	407	698
Health and social services	16	11
Culture and recreation	368	660
Community and economic development	212	128
General government	185	197
Debt service	212	222
Capital projects	38	-
Total disbursements	<u>\$1,818</u>	<u>\$2,170</u>
Change in cash basis net position before transfers	\$ (136)	\$ (338)
Transfers, net	<u>(57)</u>	<u>(24)</u>
Change in cash basis net position	\$ (193)	\$ (362)
Cash basis net position beginning of year	<u>1,934</u>	<u>2,296</u>
Cash basis net position end of year	<u>\$1,741</u>	<u>\$1,934</u>

The City's total receipts for governmental activities decreased by 8%, or approximately \$150,000. The total cost of all programs and services decreased approximately \$352,000, or 16%, with no new programs added this year. The decrease in receipts was primarily the result of other general receipts during the year.

The cost of all governmental activities this year was approximately \$1,818,000 compared to approximately \$2,170,000 last year. However, as shown in the Statement of Activities and Net Position on pages 9-12, the amount taxpayers ultimately financed for these activities was only \$1,527,495 because some of the cost was paid by those directly benefited from the programs (\$75,410) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$215,359). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$1,832,000 to approximately \$1,682,000.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 191	\$ 182
Sewer	201	158
Garbage	123	121
Other	37	34
General receipts:		
Unrestricted interest on investments	4	5
Total receipts	<u>\$ 556</u>	<u>\$ 500</u>
Disbursements:		
Water	\$ 208	\$ 181
Sewer	195	154
Garbage	120	115
Other	57	50
Total disbursements	<u>\$ 580</u>	<u>\$ 500</u>
Change in cash basis net position before transfers	\$ (24)	\$ -
Transfers, net	<u>57</u>	<u>24</u>
Change in cash basis net position	\$ 33	\$ 24
Cash basis net position beginning of year	<u>525</u>	<u>501</u>
Cash basis net position end of year	<u>\$ 558</u>	<u>\$ 525</u>

Total business type activities receipts for the fiscal year were approximately \$556,000 compared to approximately \$500,000 last year. The cash balance increased by approximately \$33,000 from the prior year. Total disbursements for the fiscal year increased by 16% to a total of approximately \$580,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Northwood completed the year, its governmental funds reported a combined fund balance of \$1,714,642, a decrease of more than \$176,000 from last year's total of \$1,891,563. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$174,393 from the prior year to \$584,145. This decrease was due to a decrease in 28E casino receipts.

The Special Revenue, Road Use Tax Fund cash balance increased by \$2,206 to \$141,079 during the fiscal year. This increase was attributable to a decrease in disbursements in the fiscal year.

The Special Revenue, Urban Renewal Tax Increment Fund cash balance was \$137,982, an increase from the previous year. The increase was the result of lower principal payments on TIF debt.

The Special Revenue, Employee Benefits Fund cash balance increased \$3,846 to \$109,260. The increase was due to a decrease in current year disbursements.

The Special Revenue, Local Option Sales Tax Infrastructure Fund cash balance increased \$45,247 to \$219,146. The increase is due to receipts greater than current year disbursements.

The Special Revenue, Revolving Loan Fund cash balance increased by \$809 to \$231,843. The increase is due to loans paid back.

The Debt Service, General Obligation Bonds Fund cash balance increased \$24,876 to \$35,903, due to decreased debt service payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance decreased by \$14,044 to \$80,362, due primarily to an increase in operating disbursements.

The Enterprise, Sewer Fund cash balance increased by \$37,824 to \$152,470, due primarily to an increase in operating receipts.

The Enterprise, Sewer Replacement Fund cash balance increased by \$1,642 to \$190,005, due primarily to interest income.

The Enterprise, Garbage Fund cash balance increased by \$3,641 to \$68,826, due to an increase in operating receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 12, 2014 and resulted in an increase in disbursements and transfers out of \$396,796. The City increased revenues and other financing sources \$234,000. The City exceeded the amounts budgeted in the public safety function prior to amending.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$1,205,000 in bonds and other long-term debt outstanding, compared to approximately \$1,384,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)

	June 30,	
	2014	2013
General obligation bonds	<u>\$ 1,205</u>	<u>\$ 1,384</u>

Debt decreased as a result of scheduled bond payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,205,000 is significantly below its constitutional debt limit of \$4,755,801.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Northwood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Another concern evolves around increased energy costs for the ensuing year and beyond. The increased costs have added as much as thirty percent to segments of the budget. Holding the budget in line becomes challenging while attempting to maintain and improve city services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amber Julseth, City Clerk, 627 Central, Northwood, Iowa 50459-1584.

Basic Financial Statements

CITY OF NORTHWOOD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONS/PROGRAMS:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 379,782	\$ -	\$ -	\$ -
Public works	407,068	-	200,059	-
Health and social services	15,493	12,959	-	-
Culture and recreation	368,449	62,451	15,300	-
Community and economic development	212,100	-	-	-
General government	184,957	-	-	-
Debt Service	211,997	-	-	-
Capital projects	38,418	-	-	-
Total governmental activities	<u>\$1,818,264</u>	<u>\$ 75,410</u>	<u>\$ 215,359</u>	<u>\$ -</u>
Business type activities:				
Water	\$ 207,903	\$ 191,045	\$ -	\$ -
Sewer	195,138	200,848	-	-
Garbage	119,597	122,953	-	-
Other	57,497	37,496	-	-
Total business type activities	<u>\$ 580,135</u>	<u>\$ 552,342</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$2,398,399</u>	<u>\$ 627,752</u>	<u>\$ 215,359</u>	<u>\$ -</u>

(Continued)

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (379,782)	\$ -	\$ (379,782)
(207,009)	-	(207,009)
(2,534)	-	(2,534)
(290,698)	-	(290,698)
(212,100)	-	(212,100)
(184,957)	-	(184,957)
(211,997)	-	(211,997)
<u>(38,418)</u>	<u>-</u>	<u>(38,418)</u>
 \$ (1,527,495)	 \$ -	 \$ (1,527,495)
 \$ -	 \$ (16,858)	 \$ (16,858)
-	5,710	5,710
-	3,356	3,356
<u>-</u>	<u>(20,001)</u>	<u>(20,001)</u>
 \$ -	 \$ (27,793)	 \$ (27,793)
<u>\$ (1,527,495)</u>	<u>\$ (27,793)</u>	<u>\$ (1,555,288)</u>

CITY OF NORTHWOOD, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Local option sales tax
- Unrestricted interest on investments
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

- Restricted:
 - Nonexpendable:
 - Cemetery perpetual care
 - Expendable:
 - Streets
 - Urban renewal purposes
 - Debt service
 - Other purposes
- Unrestricted

Total cash basis net position

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Position**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 602,553	\$ -	\$ 602,553
41,192	-	41,192
261,097	-	261,097
164,556	-	164,556
9,436	4,168	13,604
311,695	-	311,695
<u>(56,699)</u>	<u>56,699</u>	<u>-</u>
<u>\$ 1,333,830</u>	<u>\$ 60,867</u>	<u>\$ 1,394,697</u>
\$ (193,665)	\$ 33,074	\$ (160,591)
<u>1,934,477</u>	<u>524,864</u>	<u>2,459,341</u>
<u>\$ 1,740,812</u>	<u>\$ 557,938</u>	<u>\$ 2,298,750</u>
\$ 107,791	\$ -	\$ 107,791
141,079	-	141,079
137,982	-	137,982
35,903	-	35,903
487,625	-	487,625
<u>830,432</u>	<u>557,938</u>	<u>1,388,370</u>
<u>\$ 1,740,812</u>	<u>\$ 557,938</u>	<u>\$ 2,298,750</u>

CITY OF NORTHWOOD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

			Special	
			Urban	
			Renewal	
	General	Road Use	Tax	Employee
		Tax	Increment	Benefits
RECEIPTS:				
Property tax	\$ 429,292	\$ -	\$ -	\$ 173,261
Tax increment financing	-	-	261,097	-
Other city tax	-	-	-	-
Licenses and permits	6,607	-	-	-
Use of money and property	15,327	-	-	-
Intergovernmental	15,300	200,059	-	-
Charges for service	69,630	-	-	-
Miscellaneous	309,565	-	-	-
Total receipts	<u>\$ 845,721</u>	<u>\$ 200,059</u>	<u>\$ 261,097</u>	<u>\$ 173,261</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 379,782	\$ -	\$ -	\$ -
Public works	169,855	199,085	-	38,128
Health and social services	14,936	-	-	557
Culture and recreation	337,284	-	-	31,165
Community and economic development	18,965	-	12,350	-
General government	165,251	-	-	19,706
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$1,086,073</u>	<u>\$ 199,085</u>	<u>\$ 12,350</u>	<u>\$ 89,556</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (240,352)</u>	<u>\$ 974</u>	<u>\$ 248,747</u>	<u>\$ 83,705</u>
Other financing sources (uses):				
Operating transfers in	\$ 190,890	\$ 1,232	\$ -	\$ -
Operating transfers out	(124,931)	-	(228,681)	(79,859)
Total other financing sources (uses)	<u>\$ 65,959</u>	<u>\$ 1,232</u>	<u>\$ (228,681)</u>	<u>\$ (79,859)</u>
Change in cash balances	\$ (174,393)	\$ 2,206	\$ 20,066	\$ 3,846
Cash balances beginning of year	<u>758,538</u>	<u>138,873</u>	<u>117,916</u>	<u>105,414</u>
Cash balances end of year	<u>\$ 584,145</u>	<u>\$ 141,079</u>	<u>\$ 137,982</u>	<u>\$ 109,260</u>
Cash Basis Fund Balances:				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	-	137,982	-
Debt service	-	-	-	-
Streets	-	141,079	-	-
Other purposes	-	-	-	109,260
Assigned for:				
Cemetery	29,226	-	-	-
Library memorial trust	139,940	-	-	-
Other	290	-	-	-
Unassigned	<u>414,689</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 584,145</u>	<u>\$ 141,079</u>	<u>\$ 137,982</u>	<u>\$ 109,260</u>

See Notes to Financial Statements.

Revenue		Debt Service		
Local		General		
Option		Obligation		
Sales Tax	Revolving	Bonds	Nonmajor	Total
Infrastructure	Loan			
\$ -	\$ -	\$ 41,192	\$ -	\$ 643,745
-	-	-	-	261,097
82,278	-	-	82,278	164,556
-	-	-	-	6,607
-	809	-	-	16,136
-	-	-	-	215,359
-	-	-	-	69,630
-	-	-	11,347	320,912
<u>\$ 82,278</u>	<u>\$ 809</u>	<u>\$ 41,192</u>	<u>\$ 93,625</u>	<u>\$1,698,042</u>
\$ -	\$ -	\$ -	\$ -	\$ 379,782
-	-	-	-	407,068
-	-	-	-	15,493
-	-	-	-	368,449
-	-	-	180,785	212,100
-	-	-	-	184,957
-	-	211,997	-	211,997
-	-	-	38,418	38,418
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,997</u>	<u>\$ 219,203</u>	<u>\$1,818,264</u>
<u>\$ 82,278</u>	<u>\$ 809</u>	<u>\$ (170,805)</u>	<u>\$ (125,578)</u>	<u>\$ (120,222)</u>
\$ -	\$ -	\$ 195,681	\$ 100,000	\$ 487,803
(37,031)	-	-	(74,000)	(544,502)
<u>\$ (37,031)</u>	<u>\$ -</u>	<u>\$ 195,681</u>	<u>\$ 26,000</u>	<u>\$ (56,699)</u>
\$ 45,247	\$ 809	\$ 24,876	\$ (99,578)	\$ (176,921)
173,899	231,034	11,027	354,862	1,891,563
<u>\$ 219,146</u>	<u>\$ 231,843</u>	<u>\$ 35,903</u>	<u>\$ 255,284</u>	<u>\$1,714,642</u>
\$ -	\$ -	\$ -	\$ 107,791	\$ 107,791
-	-	-	-	137,982
-	-	35,903	-	35,903
-	-	-	-	141,079
219,146	-	-	159,219	487,625
-	-	-	-	29,226
-	-	-	-	139,940
-	231,843	-	13,781	245,914
-	-	-	(25,507)	389,182
<u>\$ 219,146</u>	<u>\$ 231,843</u>	<u>\$ 35,903</u>	<u>\$ 255,284</u>	<u>\$1,714,642</u>

CITY OF NORTHWOOD, IOWA
 RECONCILIATION OF THE STATEMENT OF CASH
 RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
 GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Total governmental funds cash balances (page 14) \$1,714,642

*Amounts reported for governmental activities in the Cash Basis Statement
 of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

26,170

Cash basis net position of governmental activities (page 12) \$1,740,812

Change in cash balances (page 14) \$ (176,921)

*Amounts reported for governmental activities in the Cash Basis Statement
 of Activities and Net Position are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(16,744)

Change in cash basis net position of governmental activities (page 12) \$ (193,665)

See Notes to Financial Statements.

CITY OF NORTHWOOD, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise			
			Sewer	
	Water	Sewer	Replacement	Garbage
Operating receipts:				
Charges for service	\$ 183,249	\$200,848	\$ -	\$122,953
Miscellaneous	7,796	-	-	-
Total operating receipts	<u>\$ 191,045</u>	<u>\$200,848</u>	<u>\$ -</u>	<u>\$122,953</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	207,903	195,138	-	119,597
Total operating disbursements	<u>\$ 207,903</u>	<u>\$195,138</u>	<u>\$ -</u>	<u>\$119,597</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (16,858)	\$ 5,710	\$ -	\$ 3,356
Non-operating receipts:				
Interest on investments	1,314	614	1,642	285
Excess (deficiency) of receipts over (under) disbursements	\$ (15,544)	\$ 6,324	\$ -	\$ 3,641
Other financing sources:				
Operating transfers in	1,500	31,500	-	-
Change in cash balances	\$ (14,044)	\$ 37,824	\$ 1,642	\$ 3,641
Cash balances beginning of year	94,406	114,646	188,363	65,185
Cash balances end of year	<u>\$ 80,362</u>	<u>\$152,470</u>	<u>\$ 190,005</u>	<u>\$ 68,826</u>
Cash Basis Fund Balances				
Committed for other purposes	\$ -	\$ -	\$ 190,005	\$ -
Unrestricted	80,362	152,470	-	68,826
Total cash basis fund balances	<u>\$ 80,362</u>	<u>\$152,470</u>	<u>\$ 190,005</u>	<u>\$ 68,826</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>	<u>Internal Service Employee Health</u>
\$ 31,956	\$ 539,006	\$ -
5,540	13,336	-
<u>\$ 37,496</u>	<u>\$ 552,342</u>	<u>\$ -</u>
\$ -	\$ -	\$ 21
-	-	4,322
-	-	3,910
-	-	1,424
57,497	580,135	7,132
<u>\$ 57,497</u>	<u>\$ 580,135</u>	<u>\$ 16,809</u>
\$ (20,001)	\$ (27,793)	\$ (16,809)
<u>313</u>	<u>4,168</u>	<u>65</u>
\$ (19,688)	\$ (23,625)	\$ (16,744)
<u>23,699</u>	<u>56,699</u>	<u>-</u>
\$ 4,011	\$ 33,074	\$ (16,744)
<u>62,264</u>	<u>524,864</u>	<u>42,914</u>
<u>\$ 66,275</u>	<u>\$ 557,938</u>	<u>\$ 26,170</u>
\$ 44,788	\$ 234,793	\$ 26,170
21,487	323,145	-
<u>\$ 66,275</u>	<u>\$ 557,938</u>	<u>\$ 26,170</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies

The City of Northwood is a political subdivision of the State of Iowa located in Worth County. It was first incorporated in 1859 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Northwood has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the North Iowa Area Council of Governments and the Worth County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent, Cemetery Perpetual Care Fund.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for the employee benefits tax levy.

The Local Option Sales Tax Infrastructure Fund is used to account for local option sales tax revenues to be used for infrastructure.

The Revolving Loan Fund is used to account for money loaned to businesses in the City.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) Summary of Significant Accounting Policies - continued

The Debt Service, General Obligation Bonds Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Replacement Fund accounts for funds reserved for future sewer repairs and replacements.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Northwood maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(1) **Summary of Significant Accounting Policies** - continued

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety function prior to amending.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 182,000	\$ 28,702
2016	190,000	24,709
2017	199,000	20,531
2018	203,000	15,764
2019	211,000	10,931
2020	220,000	5,687
Total	<u>\$1,205,000</u>	<u>\$106,324</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(3) Bonds Payable - continued

The resolution providing for the issuance of the general obligation bonds includes the following provision:

- (a) At the option of the City, bonds due on the Drinking Water Bond issue of June 10, 2000 and Streets & Bridges issue of October 29, 2009, are subject to redemption and prepayment in inverse numerical order beginning June 1, 2010 and June 1, 2017, respectively, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$36,344, \$49,017 and \$50,647, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare and Wellmark Blue Cross Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$408 for single coverage and \$1,251 for family coverage. For the year ended June 30, 2014, the City contributed \$111,360 and plan members eligible for benefits did not contribute to the plan.

(6) Law Enforcement Contract

The City of Northwood entered into an agreement with the Worth County Sheriff's Department for the purpose of providing the City with law enforcement services. The amount paid on the contract by the City for the year ended June 30, 2014 amounted to \$343,792.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, comp time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable, comp time payable and sick leave payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 28,140
Comp time	6,001
Sick leave	<u>32,208</u>
Total	<u>\$ 66,349</u>

This liability has been computed based on rate of pay in effect at June 30, 2014.

(8) Industrial Development Revenue Bonds

The City has issued a total of \$2,800,000 of multifamily elderly revenue bonds under the provision of Chapter 419 of the Code of Iowa, of which \$2,300,000 is outstanding at June 30, 2014. The bonds and related principal are payable solely by Lutheran Retirement Home, Inc., and the bond principal and interest do not constitute liabilities of the City.

(9) Economic Development

On August 1, 2003, the City loaned \$20,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installments of \$238 beginning August 1, 2004. The loan Balance at June 30, 2014 was \$7,381.

On February 26, 2007, the City loaned \$18,000 to Worth Brewing Company, LLC. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Worth Brewing Company, LLC is obligated to repay the City \$8,000 in annual installments of \$1,335 beginning February 26, 2011. The remaining \$10,000 was forgivable after three years. The loan balance at June 30, 2014 was \$2,660.

On September 13, 2007, the City loaned \$16,000 to Grass Lake Furniture Co. The loan proceeds were to be used to operate a retail business in Northwood. The loan is a non-interest bearing loan. Grass Lake Furniture Co. is obligated to repay the City in monthly installment of \$190 beginning April 30, 2008. The loan Balance at June 30, 2014 was \$14,095.

On September 15, 2010, the City loaned \$15,000 to Donald Pangburn D/B/A North Star Xpress. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Donald Pangburn is obligated to repay the City \$5,000 in two annual installments of \$2,500 beginning September 16, 2012. The remaining \$10,000 was forgivable after three years. The loan balance at June 30, 2014 was paid off.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(9) Economic Development - continued

On January 17, 2011, the City loaned \$9,871 to Manuel Ramirez, Shawna Seger, and Noe Garduno Flores D/B/A Tequila's Mexican Bar & Grill. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Tequila's Mexican Bar & Grill is obligated to repay the City \$4,035 in annual installments of \$1,645 beginning January 2014. The remaining \$4,936 was forgivable after three years. The loan balance at June 30, 2014 was \$2,690.

On March 9, 2011, the City loaned \$12,000 to Thomas Capranos D/B/A Northwood Laundromat. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Thomas Capranos is obligated to repay the City \$7,000 in annual installments of \$1,500 beginning March 10, 2012. The remaining \$5,000 is forgivable after five years. The loan balance at June 30, 2014 was \$7,500.

On April 25, 2012 the City loaned \$7,000 to Rick Rosenberg D/B/A Orion Fitness Center. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Rick Rosenberg is obligated to repay the City \$4,000 in one annual installment of \$1,000 beginning April 25, 2013 and two annual installments of \$1,500 beginning April 25, 2014. The remaining \$3,000 is forgivable after three years. The loan balance at June 30, 2014 was \$5,000.

On November 5, 2012 the City loaned \$8,800 to Rick Rosenberg D/B/A Orion Fitness Center. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Rick Rosenberg is obligated to repay the City \$6,800 in one annual installment of \$2,000 beginning November 5, 2014 and two annual installments of \$2,400 beginning November 5, 2015. The remaining \$2,000 is forgivable after three years. The loan balance at June 30, 2014 was \$7,384.

On August 8, 2013 the City loaned \$20,000 to Aaron Street D/B/A Northwood Chiropractic. The loan proceeds were to be used for a business in Northwood. The loan is a non-interest bearing loan. Aaron Street is obligated to repay the City \$7,000 in five annual installments of \$1,500 beginning August 8, 2014. The remaining \$13,000 is forgivable after five years. The loan balance at June 30, 2014 was \$20,000.

On December 19, 2013, the City loaned \$25,000 to Teresa George D/B/A Shade Tree Liquors. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2014 was \$25,000.

On January 15, 2014 the City loaned \$3,715 to Jennifer Lombard D/B/A Finders Keepers. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2014 was \$3,715.

On March 3, 2014, the City loaned \$4,000 to Peter Ausenhus D/B/A Worth Brewing Company. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2014 was \$4,000.

On June 18, 2014, the City loaned \$12,367 to Worth County Historical Society. The loan proceeds were to be used for a building in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2014 was \$12,367.

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(9) Economic Development - continued

On June 18, 2014, the City loaned \$1,019 to DS Liquors. The loan proceeds were to be used for a business in Northwood. The loan is forgivable after three years. The loan balance at June 30, 2014 was \$1,019.

The City has funds set aside for various housing assistance programs within the City. Applications are reviewed by the council. The amount expended by the City for the 2014 fiscal year was \$114,684.

The City allocated funds for business development within the City. Applications are considered by a separate business development committee. The amount expended by the City for the 2014 fiscal year was \$66,101.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,550 during the year ended June 30, 2014.

(12) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 79,859
	Local Option Sales Tax -	
	Property Tax Relief	74,000
	Local Option Sales Tax -	
	Infrastructure	37,031
		<u>\$ 190,890</u>
Special Revenue:		
Housing Assistance	General	\$ 75,000
Program		
Revitalization	General	25,000
Road Use Tax	General	1,232
		<u>\$ 101,232</u>
Debt Service:		
General Obligation	Special Revenue:	
Bonds	Urban Renewal Tax Increment	<u>\$ 195,681</u>

CITY OF NORTHWOOD, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

(12) Interfund Transfers - continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise:		
Water	Special Revenue:	
	Urban Renewal Tax Increment	\$ 1,500
Sewer	Urban Renewal Tax Increment	\$ 31,500
Taxi	General	\$ 23,699
Total		<u>\$ 544,502</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(13) Deficit Balance

The Special Revenue, Housing Assistance Program Fund had a deficit balance of \$25,507 at June 30, 2014. The deficit will be eliminated upon receipt of grant funds.

(14) Commitments

At June 30, 2014, the following commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
4 th Street Bridge	<u>\$ 459,238</u>	<u>\$ -</u>

(15) Subsequent Events

On July 14, 2014, the Council approved the purchase of a sewer jet in the amount of \$47,867.

(16) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

CITY OF NORTHWOOD, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To Be Budgeted
RECEIPTS:			
Property tax	\$ 643,745	\$ -	\$ -
Tax increment financing	261,097	-	-
Other city tax	164,556	-	-
Licenses and permits	6,607	-	-
Use of money and property	16,136	4,233	65
Intergovernmental	215,359	-	-
Charges for service	69,630	539,006	-
Special assessments	-	-	-
Miscellaneous	320,912	13,336	-
Total receipts	<u>\$ 1,698,042</u>	<u>\$ 556,575</u>	<u>\$ 65</u>
DISBURSEMENTS:			
Public safety	\$ 379,782	\$ 21	\$ 21
Public works	407,068	4,322	4,322
Health and social services	15,493	-	-
Culture and recreation	368,449	3,910	3,910
Community and economic development	212,100	-	-
General government	184,957	1,424	1,424
Debt service	211,997	-	-
Capital projects	38,418	-	-
Business type activities	-	587,267	7,132
Total disbursements	<u>\$ 1,818,264</u>	<u>\$ 596,944</u>	<u>\$ 16,809</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (120,222)	\$ (40,369)	\$ (16,744)
Other financing sources, net	<u>(56,699)</u>	<u>56,699</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ (176,921)	\$ 16,330	\$ (16,744)
Balances beginning of year	<u>1,891,563</u>	<u>567,778</u>	<u>42,914</u>
Balances end of year	<u>\$ 1,714,642</u>	<u>\$ 584,108</u>	<u>\$ 26,170</u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 643,745	\$ 625,111	\$ 625,111	\$ 18,634
261,097	275,000	275,000	(13,903)
164,556	156,240	180,240	(15,684)
6,607	5,350	15,350	(8,743)
20,304	31,000	31,000	(10,696)
215,359	607,015	607,015	(391,656)
608,636	660,649	660,649	(52,013)
-	6,530	6,530	(6,530)
334,248	485,600	685,600	(351,352)
<u>\$2,254,552</u>	<u>\$2,852,495</u>	<u>\$ 3,086,495</u>	<u>\$ (831,943)</u>
\$ 379,782	\$ 303,039	\$ 380,635	\$ 853
407,068	875,213	875,213	468,145
15,493	13,057	17,257	1,764
368,449	649,539	649,539	281,090
212,100	284,776	559,776	347,676
184,957	205,570	205,570	20,613
211,997	221,111	221,111	9,114
38,418	-	40,000	1,582
580,135	619,626	619,626	39,491
<u>\$2,398,399</u>	<u>\$3,171,931</u>	<u>\$ 3,568,727</u>	<u>\$1,170,328</u>
\$ (143,847)	\$ (319,436)	\$ (482,232)	\$ 338,385
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (143,847)	\$ (319,436)	\$ (482,232)	\$ 338,385
<u>2,416,427</u>	<u>2,032,887</u>	<u>2,032,887</u>	<u>383,540</u>
<u>\$2,272,580</u>	<u>\$1,713,451</u>	<u>\$ 1,550,655</u>	<u>\$ 721,925</u>

CITY OF NORTHWOOD, IOWA
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$396,796. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amount budgeted in the public safety function prior to amendment.

Supplementary Information

CITY OF NORTHWOOD, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Local Option</u>	<u>Special</u>
	<u>Sales Tax Property Tax Relief</u>	<u>Housing Assistance Program</u>
RECEIPTS:		
Other city tax	\$ 82,278	\$ -
Miscellaneous	-	751
Total receipts	<u>\$ 82,278</u>	<u>\$ 751</u>
DISBURSEMENTS:		
Operating:		
Community and economic development	\$ -	\$ 114,684
Capital projects	-	-
Total disbursements	<u>\$ -</u>	<u>\$ 114,684</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 82,278</u>	<u>\$ (113,933)</u>
Other financing sources (uses):		
Operating transfers in	\$ -	\$ 75,000
Operating transfers out	(74,000)	-
Total other financing sources (uses)	<u>\$ (74,000)</u>	<u>\$ 75,000</u>
Change in cash balances	\$ 8,278	\$ (38,933)
Cash balances beginning of year	<u>150,941</u>	<u>13,426</u>
Cash balances end of year	<u>\$ 159,219</u>	<u>\$ (25,507)</u>
Cash Basis Fund Balances:		
Nonspendable - Cemetery perpetual care	\$ -	\$ -
Restricted for other purposes	159,219	-
Assigned for:		
Revitalization	-	-
Unassigned	-	(25,507)
Total cash basis fund balances	<u>\$ 159,219</u>	<u>\$ (25,507)</u>

See Accompanying Independent Auditor's Report.

<u>Revenue</u>	<u>Capital Project</u>	<u>Permanent</u>	
<u>Revitalization</u>	<u>2009 G.O. Bond</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 82,278
9,096	-	1,500	11,347
<u>\$ 9,096</u>	<u>\$ -</u>	<u>\$ 1,500</u>	<u>\$ 93,625</u>
\$ 66,101	\$ -	\$ -	\$ 180,785
-	38,418	-	38,418
<u>\$ 66,101</u>	<u>\$ 38,418</u>	<u>\$ -</u>	<u>\$ 219,203</u>
\$ (57,005)	\$ (38,418)	\$ 1,500	\$ (125,578)
\$ 25,000	\$ -	\$ -	\$ 100,000
-	-	-	(74,000)
<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,000</u>
\$ (32,005)	\$ (38,418)	\$ 1,500	\$ (99,578)
45,786	38,418	106,291	354,862
<u>\$ 13,781</u>	<u>\$ -</u>	<u>\$ 107,791</u>	<u>\$ 255,284</u>
\$ -	\$ -	\$ 107,791	\$ 107,791
-	-	-	159,219
13,781	-	-	13,781
-	-	-	(25,507)
<u>\$ 13,781</u>	<u>\$ -</u>	<u>\$ 107,791</u>	<u>\$ 255,284</u>

CITY OF NORTHWOOD, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 NONMAJOR PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise		
	Taxi	Meter Deposit	Total
Operating receipts:			
Charges for service	\$ 31,956	\$ -	\$ 31,956
Miscellaneous	-	5,540	5,540
Total operating receipts	\$ 31,956	\$ 5,540	\$ 37,496
Operating disbursements:			
Business type activities	54,680	2,817	57,497
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ (22,724)	\$ 2,723	\$ (20,001)
Non-operating receipts:			
Uses of money and property	-	313	313
Excess (deficiency) of receipts over (under) disbursements	\$ (22,724)	\$ 3,036	\$ (19,688)
Operating transfers in	23,699	-	23,699
Change in cash balances	\$ 975	\$ 3,036	\$ 4,011
Cash balances beginning of year	20,512	41,752	62,264
Cash balances end of year	\$ 21,487	\$44,788	\$ 66,275
Cash Basis Fund Balances:			
Unrestricted	\$ 21,487	\$ -	\$ 21,487
Committed for other purposes	-	44,788	44,788
Total cash basis fund balances	\$ 21,487	\$44,788	\$ 66,275

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Streets & Bridges	10-29-09	1.50 - 3.50%	\$ 900,000
Drinking Water	6-10-00	1.75	1,690,000
Total indebtedness			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 655,000	\$ -	\$ 85,000	\$ 570,000	\$ 19,375	\$ -
729,000	-	94,000	635,000	12,757	-
<u><u>\$1,384,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 179,000</u></u>	<u><u>\$1,205,000</u></u>	<u><u>\$ 32,132</u></u>	<u><u>\$ -</u></u>

CITY OF NORTHWOOD, IOWA
BOND MATURITIES
JUNE 30, 2014

GENERAL OBLIGATION BONDS

Year Ending June 30,	Drinking Water		Streets & Bridges		Total
	Issued June 10, 2000		Issued October 29, 2009		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2015	1.75%	\$ 97,000	2.70%	\$ 85,000	\$ 182,000
2016	1.75	100,000	2.70	90,000	190,000
2017	1.75	104,000	3.10	95,000	199,000
2018	1.75	108,000	3.10	95,000	203,000
2019	1.75	111,000	3.30	100,000	211,000
2020	1.75	115,000	3.50	105,000	220,000
Total		\$ 635,000		\$ 570,000	\$1,205,000

See Accompanying Independent Auditor's Report.

CITY OF NORTHWOOD, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 643,745	\$ 651,843	\$ 613,134	\$ 601,593
Tax increment financing	261,097	267,429	270,172	268,943
Other city tax	164,556	164,644	140,556	153,190
Licenses and permits	6,607	7,946	5,193	4,620
Use of money and property	16,136	20,131	22,144	28,086
Intergovernmental	215,359	217,487	244,944	254,354
Charges for service	69,630	68,609	65,555	66,583
Special assessments	-	2,054	330	-
Miscellaneous	320,912	449,216	341,158	391,034
Total	<u>\$1,698,042</u>	<u>\$1,849,359</u>	<u>\$1,703,186</u>	<u>\$1,768,403</u>
Disbursements:				
Operating:				
Public safety	\$ 379,782	\$ 254,835	\$ 314,332	\$ 350,436
Public works	407,068	697,490	553,585	431,830
Health and social services	15,493	11,122	9,332	15,263
Culture and recreation	368,449	660,389	285,211	284,634
Community and economic development	212,100	128,414	136,762	148,524
General government	184,957	196,827	180,742	208,819
Debt Service	211,997	221,739	272,777	304,303
Capital projects	38,418	-	-	7,571
Total	<u>\$1,818,264</u>	<u>\$2,170,816</u>	<u>\$1,752,741</u>	<u>\$1,751,380</u>

See Accompanying Independent Auditor's Report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 606,648	\$ 601,719	\$ 532,291	\$ 548,070	\$ 504,301	\$ 446,007
246,761	239,192	261,044	284,207	288,698	331,514
132,862	153,892	148,842	154,150	96,949	103,304
6,110	5,555	4,701	6,747	5,800	7,800
31,674	39,178	72,070	81,120	51,625	31,626
458,205	283,809	211,205	195,470	200,687	200,824
59,726	59,881	54,376	52,051	54,527	67,011
-	-	92	588	2,428	2,298
<u>221,006</u>	<u>402,190</u>	<u>353,790</u>	<u>395,172</u>	<u>171,404</u>	<u>118,575</u>
<u>\$1,762,992</u>	<u>\$1,785,416</u>	<u>\$1,638,411</u>	<u>\$1,717,575</u>	<u>\$1,376,419</u>	<u>\$1,308,959</u>
\$ 269,340	\$ 310,689	\$ 283,158	\$ 230,440	\$ 215,760	\$ 213,785
363,250	369,727	312,772	282,887	276,193	259,220
11,285	8,109	6,626	1,490	18,014	366
349,751	443,912	452,149	240,473	190,528	175,964
151,167	170,782	87,495	82,676	127,399	145,226
149,034	159,063	133,933	155,033	169,536	146,082
231,916	292,050	294,816	281,474	275,433	336,207
<u>438,989</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>56,679</u>	<u>-</u>
<u>\$1,964,732</u>	<u>\$1,854,332</u>	<u>\$1,570,949</u>	<u>\$1,274,473</u>	<u>\$1,329,542</u>	<u>\$1,276,850</u>



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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Northwood, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated October 2, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Northwood's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Northwood's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Northwood's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Northwood's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. There are no deficiencies described in the accompanying Schedule of Findings that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Northwood's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Northwood's Responses to the Findings

The City of Northwood's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Northwood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Northwood during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Charles City, Iowa
October 2, 2014

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

Recommendation - I realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) Countersignature of Checks - Checks are prepared and signed by one individual.

Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.

Response - We will investigate the alternatives.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the public safety function prior to amending. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended prior to disbursements exceeding the budget in the future.

Conclusion - Response accepted.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: - continued

- (2) Questionable Disbursements - No disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jim Meland, Employee, Equipment Rental	Rental	\$3,550

In accordance with Chapter 362.5 (3)(k) of the Code of Iowa, the transactions with Jim Meland may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response - We will do this.

Conclusion - Response accepted.

- (5) Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (6) Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Financial Condition - The Special Revenue, Housing Assistance Program Fund had a deficit balance of \$25,507 at June 30, 2014.

Recommendation - The City should monitor this account and investigate alternatives to eliminate the deficit in order to return it to a sound financial condition.

Response - The account will be restored to a positive balance with the receipt of grant funds.

Conclusion - Response accepted.

- (9) Health Insurance Plan - The City has a health insurance plan that is partially self-funded. Chapter 509A.15 of the Code of Iowa requires that for this type of plan the City must file a Certificate of Compliance with the Insurance Commissioner of Iowa. I noted that this was not filed.

CITY OF NORTHWOOD, IOWA
Schedule of Findings
Year Ended June 30, 2014

Other Findings Related to Required Statutory Reporting: - continued

Recommendation - The Certificate of Compliance should be filed as required by the Code.

Response - We will investigate this.

Conclusion - Response accepted.

- (10) Tax Increment Financing (TIF) - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

I noted the following regarding the City's TIF debt certification dated November 15, 2014.

The City did not certify interest for the \$900,000 2009 series Bonds.

Recommendation - The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications, including the amount of TIF debt to be decertified, if any. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response - The City will consult TIF legal counsel, make corrections to the TIF certification and approve debt prior to certifying.

Conclusion - Response accepted.

- (11) Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.